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Message Text

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FM AMEMBASSY MANAGUA
TO AMEMBASSY QUITO
INFO SECSTATE WASHDC 4571

C O N F I D E N T I A L MANAGUA 4673

E.O. 11652: GDS
TAGS: BBAK, EC, NU
SUBJECT: REQUEST FOR INFORMATON ON CALIFORNIA ENERGY COMPANY INTERNATIONAL, INC.

REF: (A) QUITO 6631 (B) USDOC 18879 (C) MANAGUA 5228 (D) MANAGUA 454 (NOTAL)

1. EMBASSY FILES INDICATE THAT CALIFORNIA ENERGY COMPANY INTERNATIONAL, INC. (CECI) AND THE CON ENTERED INTO A TWO-YEAR $22 MILLION CONTRACT IN 1975 FOR THE TOTAL MANAGEMENT AND DEVELOPMENT OF THE GEOTHERMAL REGION NEAR MOMOTOMBO VOLCANO IN NICARAGUA. THE CONTRACT INCLUDED THE SUPERVISION OF DRILLING OPERATIONS WHICH WERE TO BE PERFORMED BY ENERGETICOS, S.A., A NICARAGUAN DRILLING COMPANY REPORTEDLY OWNED BY NICARAGUAN PRESIDENT ANASTASIO SOMOZA. AT THAT TIME, VARIOUS SOURCES INDICATED THAT SOMOZA WAS DISAPPOINTED WITH THE RESULTS OF THE STUDIES AND THE DRILLING OPERATIONS THEN BEING PERFORMED BY ITALIAN AND FRENCH FIRMS AT MOMOTOMBO. SOMOZA WAS ANXIOUS TO GET THE GEOTHERMAL PROJECT MOVING FASTER AND WAS QUITE IMPRESSED WITH CECI'S PRESIDENT CHARLES CONDY WHO CAME TO NICARAGUA TO MEET WITH SOMOZA.

2. ALTHOUGH THE EMBASSY IS IN NO PROFESSIONAL POSITION TO JUDGE THE PERFORMANCE OF CECI, THERE HAS BEEN A FAIR AMOUNT OF LOCAL PROFESSIONAL CRITICISM OF CECI BUSINESS METHODS, AS WELL AS ITS TECHNICAL CAPABILITIES AND THE EFFECT OF ITS INVOLVEMENT ON THE MOMOTOMBO
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PROJECT. SOME CRITICS CLAIM THAT CONDY IS A "WHEELER-DEALER" AND THAT CECI WAS AWARDED THE CONTRACT THROUGH AND "INSIDE TRACTK", I.E. A PERSONAL FRIENDSHIP WHICH DEVELOPED BETWEEN SOMOZA AND CONDY. AMERICAN ENGINEERS UNCONNECTED WITH CECI HAVE OPINED THAT CEDI DID LITTLE WORK, DID NOT POSITION THE WELLS CORRECTLY AND, INDEED, SEVERELY DAMAGED THE MOMOTOMBO GEOTHERMAL NIELD THROUGH IMPROPER DRILLING OPERATIONS.

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3. EARLIER THIS YEAR A GROUP OF GEOTHERMAL EXPERTS FROM THE UNITED NATIONS WAS REQUESTED BY THE GON TO COME TO MANAGUA TO EVALUATE THE WORK DONE BY PRIVATE CONSULTANTS AT THE MOMOTOMBO SITE. (N.B. THERE WERE A NUMBER OF SUCH GROUPS BEFORE CECI ENTERED ON THE SCENE) AND TO ESTIMATE THE SIZE OF THE "RESERVOIS" OF GEOTHERMAL ENERGY AVAILABLE AT MOMOTOMBO. THE UN GROUP'S REPORT STATED THAT THE WELLS WERE DRILLED AND COMPLETED IN "WHAT IS CONSIDERED AN UNCONVENTIONAL MANNER FOR GEOTHERMAL WELLS." THEY STATED FURTHER THAT THE DRILLING HAD A "POOR SUCCESS RATE" AND A "RELATIVELY HIGH COST." THE REPORT DID NOT LEVY CRITICISM SPECIFICALLY AT ANY OF THE VARIOUS COMPANIES THAT HAD BEEN INVOLVED IN THE DRILLING WORK.

4. FYI: SOME LOCAL SOURCES ALLEGE THAT SOMOZA IS A MAJOR STOCKHOLDER IN CECI (THROUGH FRONTMEN) AND THAT THE LUCRATIVE $22 MILLION CONTRACT THAT CECI OBTAINED INVOLVED SUBSTANTIAL KICKBACKS TO SOMOZA. EMBASSY UNABLE TO CONFIRM OR REFUTE THAT ALLEGATION. END FYI
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